



November 15, 2001

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station, 2nd Floor
Boston, MA 02110

**Re: Massachusetts Electric Company and Nantucket Electric Company, Docket
No. D.T.E. 00-67**

Dear Secretary Cottrell,

On behalf of Massachusetts Electric Company and Nantucket Electric Company (together "Mass. Electric" or the "Company"), I am filing Mass. Electric's proposed Standard Offer Service Fuel Adjustment ("SOSFA") effective for usage on and after January 1, 2002. This filing is made in conjunction with the Department's letter order dated December 4, 2000 in the above-captioned docket. In that order, the Department approved the implementation of a SOSFA for electric companies in Massachusetts and adopted a uniform SOSFA surcharge calculation methodology effective January 1, 2001. Specifically, the Department directed the Company to adjust its standard offer rate on an annual basis as part of its reconciliation filing, using the most recently available twelve months of data to calculate the SOSFA surcharge. Further, the Department directed Mass. Electric to provide the deferral balance and the updated SOSFA calculation information by July 1, 2001 and stated that it would determine if an interim adjustment was necessary in order to avoid burdening consumers with additional obligations caused by deferrals. Mass. Electric complied with this directive on May 25, 2001.

In light of the recent decline in fuel oil and natural gas prices, the upcoming scheduled increase in the base rate of Standard Offer Service on January 1, 2002 from 3.800¢ per kWh to 4.200¢ per kWh in accordance with both Mass. Electric's restructuring settlement agreement in Docket No. D.P.U./D.T.E. 96-25 and its wholesale power supply contracts, and the Department's periodic review of the adequacy of Standard Offer Service rates in Massachusetts, the Company is proposing a decrease in the SOSFA for January 1, 2002 to 1.426¢ per kWh from its current level of 2.551¢ per kWh.

As can be seen, there is a significant difference between the currently effective SOSFA of 2.551¢ per kWh and Mass. Electric's updated SOSFA calculation of 1.426¢

per kWh. Therefore, Mass. Electric urges the Department to consider an adjustment of Mass. Electric's SOSFA to 1.426¢ per kWh, for usage on and after January 1, 2002.

Attachment 1 to this filing provides various data related to Mass. Electric's SOSFA values. Page 1 calculates the proposed SOSFA of 1.426¢ per kWh effective for usage on and after January 1, 2002, should the Department determine that an adjustment is necessary. The application of the adjustment value of 1.33953 applied to the base standard offer rate of 4.200¢ per kWh results in an adjusted base standard offer rate of 5.626¢ per kWh, reflecting the new SOSFA of 1.426¢ per kWh. Pages 2 through 4 provide the supporting calculations as well as market prices for fuel oil and natural gas over the prior 12 months (November 2000 through October 2001). These actual historical fuel oil and natural gas prices have been applied to a fuel trigger of \$6.09, the contractual fuel trigger that will be in effect during 2002.

In its year-end filing, to be submitted to the Department by November 30, 2001, Mass. Electric will provide details relating to the approximately \$119 million balance of its deferred wholesale standard offer costs through September 30, 2001, the end of the Company's reconciliation year. In that filing, the Company will propose resolution of this balance taking into consideration the proposed SOSFA level in 2002. With the implementation of the proposed SOSFA of 1.426¢ per kWh, the Company has determined, and will propose in its November 30th filing, that a standard offer adjustment factor will not be required to recover the \$119 million standard offer deferral. In fact, through the design of the SOSFA, and the anticipated further decline in estimated fuel index payments, the Company anticipates that this amount will be recovered by the end of June 2002¹. Additionally, should fuel oil and natural gas prices continue on their downward trend, the Company anticipates that it will not require a SOSFA beginning in July 2002.

In its November 30th filing, Mass. Electric will also present the impact on customers' bills of the decrease in the SOSFA proposed today, along with all other proposed rate changes in the November 30th filing. However, this proposed rate decrease in the standard offer rate from today's level of 6.631¢ per kWh, inclusive of the 2001 standard offer adjustment factor, to 5.626¢ per kWh, assuming no standard offer adjustment factor during 2002, represents a decrease of 1.005¢ per kWh. This amounts to a decrease in the charge for standard offer service of approximately \$5 per month for a typical 500 kWh residential. Also to be included in its November 30th filing (and to avoid several versions of its tariff cover sheets before the Department), Mass. Electric will provide tariff cover sheets that will reflect both the proposed SOSFA and the rate changes proposed in that filing.

¹ Based on fuel oil and natural gas prices at the end of October 2001, and related fuel index payments for the months of October 2001 through March 2002 (no fuel index payments are anticipated in months subsequent to March 2002), the Company estimates that it will have a balance in its standard offer deferral reconciliation account reflecting an under recovery of approximately \$3 million. The actual balance will be dependent upon standard offer revenue actually billed and standard offer expenses actually incurred.

Based upon the significant difference between the currently effective SOSFA of 2.551¢ per kWh and Mass. Electric's updated SOSFA calculation of 1.426¢ per kWh, Mass. Electric recommends that the Department approve an adjustment to Mass. Electric's SOSFA to 1.426¢ per kWh, for usage on and after January 1, 2002. Mass. Electric estimates that this adjustment would not only compensate the Company for the current costs of anticipated fuel index payments, but, as discussed above, will also significantly reduce or eliminate the current balance of deferred wholesale standard offer costs that would eventually be collected from customers in the future.

Thank you for your attention to this compliance filing.

Very truly yours,

Amy G. Rabinowitz
Attorney for
Massachusetts Electric Company and
Nantucket Electric Company

cc: Joseph Rogers
D.T.E. 00-67 Service List

**Massachusetts Electric and Nantucket Electric
Proposed SOSFA Surcharge
(effective January 1, 2002)**

(1) Adjustment Value	1.33953
(2) 2002 Stipulated Price (c/kWh)	4.200
(3) Total Standard Offer Rate (c/kWh)	5.626
(4) 2002 Stipulated Price (c/kWh)	4.200
(5) SOSFA Surcharge (c/kWh)	1.426

Notes:

- (1) October 2001 Fuel Adjustment Value (Col. F - Determination of Fuel Adjustment Value)
- (2) From SOSFA provisions in settlement agreement and supply contracts
- (3) Total Standard Offer Rate = Line (1) * Line (2), rounded to 3 decimal places
- (5) SOSFA Surcharge = Line (3) - Line (4)

Massachusetts Electric and Nantucket Electric

DETERMINATION OF FUEL ADJUSTMENT VALUE AND SOSFA SURCHARGE

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)
SOS Delivery Month	NGrid's Market Gas Price	NGrid's Market Oil Price	NGrid's Fuel Value	NGrid's Fuel Trigger	NGrid's Adjustment Value	2002 Stipulated Price	Standard Offer Rate	SOSFA Surcharge
Nov-00	\$3.57	\$3.87	\$7.43	\$6.09	1.19953	4.20	5.038	0.838
Dec-00	\$3.91	\$3.95	\$7.86	\$6.09	1.26329	4.20	5.306	1.106
Jan-01	\$4.53	\$4.00	\$8.53	\$6.09	1.36235	4.20	5.722	1.522
Feb-01	\$4.89	\$4.00	\$8.90	\$6.09	1.41713	4.20	5.952	1.752
Mar-01	\$5.11	\$4.03	\$9.14	\$6.09	1.45281	4.20	6.102	1.902
Apr-01	\$5.32	\$4.06	\$9.37	\$6.09	1.48752	4.20	6.248	2.048
May-01	\$5.47	\$4.04	\$9.51	\$6.09	1.50790	4.20	6.333	2.133
Jun-01	\$5.45	\$3.95	\$9.39	\$6.09	1.49079	4.20	6.261	2.061
Jul-01	\$5.35	\$3.88	\$9.22	\$6.09	1.46563	4.20	6.156	1.956
Aug-01	\$5.30	\$3.82	\$9.12	\$6.09	1.45034	4.20	6.091	1.891
Sep-01	\$5.11	\$3.70	\$8.81	\$6.09	1.40443	4.20	5.899	1.699
Oct-01	\$4.83	\$3.55	\$8.38	\$6.09	1.33953	4.20	5.626	1.426
Nov-01	\$4.70	\$3.36	\$8.06	\$6.09	1.29320	4.20	5.431	1.231
Dec-01	\$4.44	\$3.22	\$7.66	\$6.09	1.23385	4.20	5.182	0.982
Jan-02	\$3.90	\$3.09	\$6.99	\$6.09	1.13401	4.20	4.763	0.563
Feb-02	\$3.60	\$2.98	\$6.58	\$6.09	1.07320	4.20	4.507	0.307
Mar-02	\$3.45	\$2.87	\$6.32	\$6.09	1.03464	4.20	4.345	0.145
Apr-02	\$3.26	\$2.77	\$6.03	\$6.09	1.00000	4.20	4.200	0.000
May-02	\$3.11	\$2.66	\$5.78	\$6.09	1.00000	4.20	4.200	0.000
Jun-02	\$3.06	\$2.59	\$5.65	\$6.09	1.00000	4.20	4.200	0.000
Jul-02	\$3.05	\$2.54	\$5.59	\$6.09	1.00000	4.20	4.200	0.000
Aug-02	\$3.06	\$2.47	\$5.53	\$6.09	1.00000	4.20	4.200	0.000
Sep-02	\$3.13	\$2.40	\$5.53	\$6.09	1.00000	4.20	4.200	0.000

Notes:

Col. A - month in which SOS was delivered at wholesale

Col. B - Average of the values of Gas Index for the most recent 12 months. (Col. G - Determination of Market Gas Price)

Col. C - Average of the values of Oil Index for the most recent 12 months. (Col. LL - Determination of Market Oil Price)

Col. D - Col. B + Col. C

Col. E - Calendar Year 2002 value from the Standard Offer Supply Contracts. Actual value for Calendar Years 2000 & 2001 was %5.35.

Col. F - @if(Col. D > Col. E, (Col. B + \$0.60 + Col. C +\$0.04) / (Col. E +\$0.64), 1.000)

Col. G - Calendar Year 2002 rate from SOSFA provisions in settlement agreement and supply contracts. Actual value for Calendar Years 2000 and 2001 was 3.80.

Col. H - Col. F * Col. G, rounded to 3 decimal places

Col. I - Col. H - Col. G

Massachusetts Electric and Nantucket Electric

DETERMINATION OF MARKET GAS PRICE

(Col. A)	(Col. B)	(Col. C)	(Col. D)	(Col. E)	(Col. F)	(Col. G)	(Col. H)	(Col. I)
Contract Month	Last Month of Trading	Settlement Prices (\$/mmBtu)			Gas Index	NGrid's Market Gas Price	EUA's Market Gas Price	SOS Delivery Month
		3rd Last	2nd Last	Last				
Nov-00	Oct-00	\$4.659	\$4.664	\$4.541	\$4.621	\$3.565	\$4.264	Nov-00
Dec-00	Nov-00	\$6.577	\$6.368	\$6.016	\$6.320	\$3.911	\$4.516	Dec-00
Jan-01	Dec-00	\$9.579	\$9.805	\$9.978	\$9.787	\$4.532	\$4.863	Jan-01
Feb-01	Jan-01	\$7.270	\$7.256	\$6.293	\$6.940	\$4.895	\$5.737	Feb-01
Mar-01	Feb-01	\$5.142	\$5.131	\$4.998	\$5.090	\$5.106	\$6.269	Mar-01
Apr-01	Mar-01	\$5.322	\$5.621	\$5.384	\$5.442	\$5.315	\$6.344	Apr-01
May-01	Apr-01	\$5.078	\$4.981	\$4.891	\$4.983	\$5.471	\$6.367	May-01
Jun-01	May-01	\$4.054	\$3.973	\$3.738	\$3.922	\$5.445	\$6.427	Jun-01
Jul-01	Jun-01	\$3.446	\$3.397	\$3.182	\$3.342	\$5.345	\$6.027	Jul-01
Aug-01	Jul-01	\$3.276	\$3.128	\$3.167	\$3.190	\$5.299	\$4.953	Aug-01
Sep-01	Aug-01	\$2.544	\$2.415	\$2.295	\$2.418	\$5.113	\$4.328	Sep-01
Oct-01	Sep-01	\$1.910	\$1.925	\$1.830	\$1.888	\$4.829	\$3.883	Oct-01
Nov-01	Oct-01	\$2.938	\$3.041	\$3.202	\$3.060	\$4.699	\$3.291	Nov-01
Dec-01	Nov-01	\$3.103	\$3.183	\$3.339	\$3.208	\$4.439	\$2.970	Dec-01
Jan-02	Dec-01	\$3.250	\$3.313	\$3.464	\$3.342	\$3.902	\$2.851	Jan-02
Feb-02	Jan-02	\$3.248	\$3.303	\$3.452	\$3.334	\$3.602	\$2.851	Feb-02
Mar-02	Feb-02	\$3.195	\$3.243	\$3.389	\$3.276	\$3.451	\$2.875	Mar-02
Apr-02	Mar-02	\$3.095	\$3.136	\$3.279	\$3.170	\$3.261	\$3.018	Apr-02
May-02	Apr-02	\$3.125	\$3.166	\$3.309	\$3.200	\$3.113	\$3.232	May-02
Jun-02	May-02	\$3.165	\$3.206	\$3.344	\$3.238	\$3.056	\$3.255	Jun-02
Jul-02	Jun-02	\$3.200	\$3.246	\$3.379	\$3.275	\$3.050	\$3.260	Jul-02
Aug-02	Jul-02	\$3.235	\$3.281	\$3.414	\$3.310	\$3.060	\$3.249	Aug-02
Sep-02	Aug-02	\$3.235	\$3.281	\$3.414	\$3.310	\$3.134	\$3.245	Sep-02

Notes:

Col. A - Contract refers to the NYMEX Natural Gas Futures Contract, as approved by the CFTC, for the purchase and sale of natural gas at Henry Hub.

Col. B - Month that trading for the Contract ends (the month before the delivery month)

Col. C - Settlement price for the third last trading day as reported in the Wall Street Journal. (Jan-99 - Nov-01)
- Settlement price as reported in the Wall Street Journal on 26-Oct-01. (Dec-01 - Sept-02)

Col. D - Settlement price for the second last trading day as reported in the Wall Street Journal. (Jan-99 - Nov-01)
- Settlement price as reported in the Wall Street Journal on 29-Oct-01. (Dec-01 - Sept-02)

Col. E - Settlement price for the last trading day as reported in the Wall Street Journal. (Jan-99 - Nov-01)
- Settlement price as reported in the Wall Street Journal on 30-Oct-01. (Dec-01 - Sept-02)

Col. F - Average value of Col. C, Col. D and Col. E (=AVERAGE(Col. C..Col. E))

Col. G - Average of the most recent twelve months of values in Col. F (including current SOS delivery month)

Col. H - Average of the most recent six months of values in Col. F (ending month prior to SOS delivery month)

Col. I - month in which SOS was delivered at wholesale.

SOS		Daily low quotation, cargo delivery, 1.0%\$ No. 6, residual fuel oil, NY Harbor (\$ / barrel)																															Sum of Values	# of Values	Converso Factor	Oil Index \$/mmBtu	NGrid's Market Oil Price	EUA's Market Price
Delivery Month	Trading Month	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	21	22	23	24	25	26	27	28	29	30	31						
Nov-00	Nov-00	27.50	27.75	27.50			27.25	27.75	27.75	28.15	28.15			28.40	28.20	29.25	28.75	28.75			29.25	29.05	29.25					29.35	28.75	28.00	27.50	566.30	20	6.3	4.49	3.87	4.20	
Dec-00	Dec-00	27.00			26.85	25.75	26.00	27.00	26.25			26.50	26.80	26.00	24.75	25.00			25.00	24.25	23.00	23.00	23.50				24.75	25.50	24.50	26.00	507.40	20	6.3	4.03	3.95	4.30		
Jan-01	Jan-01		24.75	24.75	24.75	25.00			25.00	24.65	25.00	25.60	26.00			26.25	25.50	25.75	26.00			26.00	25.50	24.25	24.50	24.75			24.50	24.40	23.75	526.65	21	6.3	3.98	4.00	4.26	
Feb-01	Feb-01	24.00	24.50		24.50	24.00	23.85	24.00	23.75			23.50	23.25	23.25	22.40	22.40				22.40	22.40	22.40	22.40				22.65	22.40	22.40			440.45	19	6.3	3.68	4.00	4.28	
Mar-01	Mar-01	22.40	23.00		23.50	23.50	23.75	23.75	23.75			23.75	23.75	23.50	23.50	23.50	23.75			23.00	23.50	23.10	23.00	23.00				23.00	23.00	22.25	21.80	21.80	509.35	22	6.3	3.67	4.03	4.25
Apr-01	Apr-01		21.35	21.50	22.00	22.40	22.40			22.40	22.60	22.50	22.75			22.90	22.50	22.50	22.50	22.90			22.90	22.90	23.10	23.75	23.75			23.65		453.25	20	6.3	3.60	4.06	4.08	
May-01	May-01	23.65	23.65	23.85	24.25			24.00	24.00	23.50	23.40	23.00			23.10	23.00	22.80	23.15	23.40			23.60	23.40	22.65	22.15	21.90				21.90	21.40	21.00	506.75	22	6.3	3.66	4.04	3.91
Jun-01	Jun-01	20.50			20.10	19.25	18.50	18.90	19.10			20.35	21.25	21.50	21.50	21.50			21.00	20.65	20.10	20.10	20.25				20.25	20.25	20.00	20.00	20.10	425.15	21	6.3	3.21	3.95	3.77	
Jul-01	Jul-01		19.65	19.25		19.00	19.40			19.25	19.50	19.70	19.65	19.70		19.50	19.35	18.85	18.50	18.50			18.50	18.65	19.25	19.15	19.35			19.30	19.35	403.35	21	6.3	3.05	3.88	3.63	
Aug-01	Aug-01	19.65	20.25	20.00			20.25	20.50	20.50	20.65				20.40	20.30	20.20	20.10	19.90			19.90	20.20	19.95	20.30	20.20			19.75	19.50	19.40	19.50	20.25	462.15	23	6.3	3.19	3.82	3.48
Sep-01	Sep-01				20.15	20.75	21.25	21.75				21.35			21.35	22.25			21.65	21.10	20.15	20.00	19.70			17.05	17.05	17.50	17.75	18.35		339.15	17	6.3	3.17	3.70	3.40	
Oct-01	Oct-01	18.10	18.10	17.85	18.35	18.15			18.10	18.10	18.10	18.30	18.15			18.10	18.00	17.80	17.35	17.00			17.00	17.00	17.45	17.50												

Col. MM - Average of the most recent six months of values in Col. KK (ending month prior to SOS delivery month)